

**PX 223**

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## COURT REPORTING



### Transcript of **Michael E. Ellis**

Wednesday, December 4, 2019

*In re Alta Mesa Resources, Inc. and Alta Mesa Holdings, LP*

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1-800-FOR-DEPO (367-3376)  
Info@AldersonReporting.com  
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1 A. I don't remember that occurring.

2 Q. (BY MR. GOERLICH) Do you recall any change in  
3 the valuation of AMH in the course of the negotiations  
4 over the business combination?

5 A. Yes.

6 Q. And what was that change?

7 A. I believe that we were valued maybe at \$1.7  
8 billion initially, and Hal made a recommendation that  
9 with the oil pricing coming down, that we should agree  
10 or volunteer to reduce our valuation of 1.4 to help to  
11 make sure that this transaction would actually close.

12 Q. And did you agree with Mr. Chappelle's  
13 recommendation?

14 A. I did.

15 Q. Do you remember anyone disagreeing with it?

16 A. No.

17 Q. In discussing the joint development agreement  
18 with Bayou City, you mentioned some concerns about  
19 child -- with regard to Bayou City and not recouping  
20 its investment, you mentioned some issues with child  
21 well production decreasing, as well as falling oil  
22 prices.

23 When did those issues occur?

24 A. The realization of the decrease in recoveries  
25 from the children wells occurred after we started

1 drilling children wells, and I started -- started  
2 seeing enough performance in enough wells to realize  
3 that this is a regional issue, and now we know -- the  
4 whole industry now knows it's a total nonconventional  
5 issue, as far as I can think of. Every -- every basin  
6 is discovering that on their own.

7 Q. And so you said after you began drilling the  
8 child wells.

9 When was that precisely?

10 A. We had a few children wells drilled prior to  
11 the February date and in producing, but those  
12 actually -- they were spaced far enough apart that  
13 they pretty much fit into range. So it was the -- the  
14 first one was the Bullis-Coleman pattern was the first  
15 pattern where we -- where it was really obvious that  
16 we weren't going to get recoveries out of the children  
17 wells that we expected.

18 Q. And when was that?

19 A. Well, I know that -- I know when it was  
20 obvious of the conclusion for the whole idea. That  
21 would have probably been third quarter of 2018.

22 Q. But for the initial Bullis-Coleman wells, you  
23 don't remember a specific date?

24 A. No.

25 Q. And then you also mentioned falling oil

**PX 224**

1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF TEXAS  
3 HOUSTON DIVISION

4 IN RE ALTA MESA RESOURCES, )  
5 ) Case No. 4:19-cv-00957  
6 INC. SECURITIES LITIGATION )  
7 \_\_\_\_\_ )

8  
9 REMOTE VIDEOTAPED DEPOSITION OF  
10 MICHAEL E. ELLIS  
11 APRIL 3, 2023  
12 9:09 a.m. CDT  
13

14  
15 Witness Appearing From:  
16 Law Offices of Winston & Strawn LLP  
17 800 Capitol Street  
Suite 2400  
Houston, Texas 77002

18  
19  
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21  
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23  
24 Conducted Remotely Via Videoconference  
25

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1 Friday that impacted your ability to give accurate  
2 testimony?

3 A. No.

4 Q. And we're talking about last Friday, would  
5 have been March 31st, correct?

6 A. Yes.

7 Q. Did you prepare for your deposition today?

8 A. I met with the attorneys on Thursday.

9 Q. Okay. Other than meeting with your  
10 attorneys last Thursday, did you do anything else to  
11 prepare for your deposition?

12 A. No.

13 Q. For about how long did you meet with your  
14 attorneys last Thursday to prepare for your  
15 deposition?

16 A. Probably 10:00 to 3:00, so five hours with  
17 obvious breaks in there, yeah.

18 Q. Is it true that you founded Alta Mesa in  
19 or about 1987?

20 A. That's correct.

21 Q. Is it true that Hal Chappelle joined  
22 Alta Mesa in or about 2004?

23 A. That's correct.

24 Q. Did you make the decision to hire  
25 Mr. Chappelle?

1           A.     Yes.

2           Q.     For how long had you known Mr. Chappelle  
3 when you decided to hire him?

4           A.     Probably somewhere around three years.

5           Q.     And how did you know Mr. Chappelle?

6           A.     He was the engineer for LL&E that was in  
7 charge of the Jay Plant, and we operated a smaller,  
8 I'll call it, satellite plant called Blackjack Creek  
9 in Florida.

10          Q.     Did you have a personal relationship with  
11 Mr. Chappelle at the time that you hired him?

12                 MS. PRESTON:  Objection, form.

13          Q.     I'll ask it a little bit -- a little bit  
14 of a different way.

15                 If you were to characterize your  
16 relationship with Mr. Chappelle at the time you  
17 hired him as either a personal relationship or a  
18 professional relationship primarily, how would you  
19 characterize it?

20          A.     Professional for sure.

21          Q.     What was Mr. Chappelle's role at Alta Mesa  
22 immediately after you hired him in 2004?

23          A.     Well, it's simpler to say what my role  
24 was.  I wasn't the type of person that liked dealing  
25 with banks or financial matters, and I love

1 engineering, so I was going to be responsible for  
2 the engineering and he was going to be responsible  
3 for everything else.

4 Q. Okay. Did he have a title upon joining  
5 Alta Mesa?

6 A. Yeah, I believe he -- it was either  
7 president or chief executive officer, one of the  
8 two.

9 Q. And did he become your business partner at  
10 that time?

11 MS. PRESTON: Objection, form.

12 A. Yeah, well, he had -- he had a -- he was a  
13 business partner in that he had a -- we had a  
14 earn-in agreement.

15 Q. And what was the earn-in agreement?

16 A. It's been a long time. After -- after we  
17 reached certain goals, he would get a percentage of  
18 the company.

19 Q. And did he in fact come to own a part of  
20 the company?

21 A. He did.

22 Q. If we fast-forward to the time when we're  
23 going in the beginning of 2017, about how much of  
24 the company did Mr. Chappelle own?

25 A. A number close to 25 percent.

[PAGES INTENTIONALLY OMITTED]

1 in the first equity partner?

2 MS. PRESTON: Objection, form.

3 A. I don't know.

4 Q. Did you have the ability to remove  
5 Mr. McCabe at that time, after you brought in the  
6 first equity partner?

7 MS. PRESTON: Objection, form.

8 A. I don't know that either.

9 Q. Do you know whether you retained a  
10 majority ownership interest in the company after you  
11 brought in the first equity partner in 2007?

12 A. I had a majority of a certain class of  
13 stock, but the equity partner had the other stock,  
14 and so I wouldn't have wanted to say that I had  
15 majority then.

16 Q. Who designed that capital structure that  
17 you're describing?

18 A. I would say it was probably Mike McCabe  
19 and Hal and the equity partner.

20 Q. After you brought in the first equity  
21 partner in 2007 or thereabouts, did you maintain a  
22 majority of the voting power with respect to the  
23 Alta Mesa company?

24 MS. PRESTON: Objection, form.

25 A. I don't know the answer to that.

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1 with anyone who to appoint to Alta Mesa's board?

2 A. Well, I don't remember, but Hal and I  
3 would have definitely had those discussions.

4 Q. And in those discussions between you and  
5 Mr. Chappelle, when you were having those  
6 discussions, did you understand that you, Michael  
7 Ellis, had the ultimate authority to decide who  
8 would be appointed to certain seats on Alta Mesa's  
9 board?

10 MS. PRESTON: Objection, form.

11 A. I never took on that attitude. I trusted  
12 Hal to be responsible to that. And he always kept  
13 me informed of his thinking.

14 Q. Did you -- do you recall ever disagreeing  
15 with Mr. Chappelle -- strike that.

16 Did Mr. Chappelle ever want to appoint  
17 someone to Alta Mesa's board who you did not want  
18 appointed to Alta Mesa's board?

19 A. Not to my memory.

20 Q. Did you ever want to appoint someone to  
21 Alta Mesa's board that Mr. Chappelle did not want  
22 appointed to Alta Mesa's board?

23 A. Not to my memory.

24 Q. Who is Mickey Ellis?

25 A. That's my wife.

1           Q.    Was your wife a member of Alta Mesa's  
2 board at the beginning of 2017?

3           A.    Probably so. She was a member at one  
4 time.

5           Q.    How did -- how did Mickey Ellis become a  
6 member of Alta Mesa's board?

7           A.    Hal suggested that we invite her as a  
8 board member, and I agreed to that.

9           MR. BRODEUR: Faith, could you mark or  
10 introduce or mark Tab 25, please.

11          Q.    Are you familiar with a company called --  
12 sorry. Are you looking for the exhibit?

13          A.    Yeah. Is it here yet?

14          Q.    Oh, I don't know. I sometimes ask for  
15 them a little bit before to give our team time to  
16 load them.

17          A.    Okay.

18          Q.    So my question is, without looking at the  
19 exhibit, are you familiar with a company called  
20 Kingfisher Midstream?

21          A.    Yeah, I believe that's who built the gas  
22 plant in Kingfisher.

23          Q.    If I refer to "KFM," will you understand  
24 that I mean Kingfisher Midstream?

25          A.    Yes.



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1 answer to that would be yes.

2 Q. Were you involved in negotiating that  
3 joint venture?

4 A. Not that I remember.

5 Q. Do you remember when that joint venture  
6 came to be?

7 A. No. It was in place in 2018, but I don't  
8 remember when it started.

9 Q. What was the purpose of the joint venture?

10 MS. PRESTON: Objection, form.

11 A. Bayou City was providing funds and they  
12 were looking to make revenue, make profit off of it,  
13 and it allowed us to accelerate our drilling.

14 Q. Was there a reason that you didn't -- you  
15 did not accomplish that simply by having Bayou City  
16 buy additional equity in Alta Mesa?

17 MS. PRESTON: Objection, form.

18 A. I don't know the answer to that.

19 Q. Did Alta Mesa consider going public by way  
20 of an initial public offering or IPO?

21 A. Yes.

22 Q. When was that?

23 A. Well, we had to file some sort of a -- of  
24 a -- something with the SEC. And then I think from  
25 that date we had like a year to go public, and so

1 that was prob- -- I'm guessing that was filed in  
2 2016, but I could be wrong on that.

3 Q. Whose idea was it to explore the  
4 possibility of an IPO for Alta Mesa?

5 A. That would have come from Hal and Mike  
6 McCabe, as far as I know.

7 Q. Why -- strike that.

8 Did you discuss the possibility of an IPO  
9 with Mr. Chappelle?

10 A. Yes.

11 Q. Did you discuss the idea of an IPO with  
12 Mr. McCabe?

13 A. Probably.

14 Q. Why was Alta Mesa's management considering  
15 an IPO for Alta Mesa?

16 A. We felt that we had a couple thousand  
17 wells to drill up there in Kingfisher County, and  
18 that was a way of getting the funding for them.

19 Q. Are you referring to horizontal wells,  
20 vertical wells, or a combination of horizontal and  
21 vertical wells in that number?

22 A. Well, in that particular number, time  
23 frames gets -- get -- makes things get fuzzy, but in  
24 that particular number 2,000 is the number I'm  
25 remembering as the number of laterals that we were

1 hoping to have.

2 Q. And that time frame is, you think,  
3 sometime in 2016?

4 A. It would have been -- I don't know if we'd  
5 have had that number in our heads when we started  
6 the process. By the time we ended the process, we  
7 had that number in our heads. So by some date in  
8 2017, we -- that was our -- that was our plan.

9 Q. Under Alta Mesa's current -- strike that.  
10 Under Alta Mesa's capital structure as of  
11 the beginning of 2017, is it true that Alta Mesa  
12 simply did not have the capital to drill on the  
13 order of 2,000 laterals?

14 MS. PRESTON: Objection, form.

15 A. It would -- it would have taken longer  
16 than my lifetime under that capital structure.

17 Q. Why is that?

18 A. Because we would have had to go real slow,  
19 relying on borrowing base increases to -- for the  
20 capital, and that would have been a slow process to  
21 drill that many wells.

22 Q. So the concept of the IPO was to raise  
23 capital for a drilling program that could drill  
24 somewhere on the order of 2,000 wells?

25 MS. PRESTON: Objection, form.

1           A.     That would have been the goal, yes, to  
2 ultimately drill that many wells, yes.

3           Q.     Did you support that idea? Strike that.  
4 That was unclear.

5                     Did you support the idea of doing an IPO  
6 in the late 2016, early 2017 time period?

7           A.     I was -- I was excited about our  
8 opportunities there as an engineer, and that was one  
9 way of going, and I -- I was -- you know, I kind of  
10 trusted Hal and Mike McCabe to lead us down that  
11 financial path, and that was certainly one of the  
12 options.

13          Q.     At the time that you were considering an  
14 IPO and before the negotiations with the SPAC  
15 started, where did this number of about 2,000  
16 laterals come from?

17                     MS. PRESTON: Objection, form.

18          A.     Well, we did our best from a engineering,  
19 geology standpoint of estimating oil in place up  
20 there over our footprint, and we put in a what we  
21 thought was a reasonable number of sticks and felt  
22 that -- felt that there was somewhere, you know, in  
23 the 2,000 range that could be drilled, and it could  
24 be as high as 3,000 is my memory. So --

25          Q.     What did you do to estimate oil in place

1 in your STACK footprint?

2 A. Initial -- initially, back in that time  
3 frame, we hadn't done any reservoir modeling yet.  
4 Later on, Schlumberger did that for us. And we did  
5 internally also though. And that's what, you know,  
6 that's what I believe in as an engineer is reservoir  
7 modeling.

8 And -- but we didn't have that in place  
9 then. So it was basically doing it by hand. That's  
10 probably a little bit of an exaggeration, but it's  
11 not much different from that. You just look at your  
12 data and do some -- do your calculations in each  
13 section and then -- and then draw your maps and put  
14 together the big picture as best you can.

15 Q. So going into 2017 -- strike that.

16 When you started considering an IPO in  
17 2016, what was the basis for your -- strike that.

18 I'm just trying to break down your last  
19 answer a little bit, make sure we understand.

20 When you started considering an IPO, you  
21 had in mind a number of about 2,000 lateral wells to  
22 drill, correct?

23 MS. PRESTON: Objection, form.

24 A. Yes, somewhere in that range.

25 Q. And was that number informed by work that

1 Schlumberger had already done for Alta Mesa?

2 MS. PRESTON: Objection, form.

3 A. They might have started that work, but  
4 they were certainly not completed by then. Ryder  
5 Scott had done some work for us, and that was  
6 helpful obviously.

7 Q. Had anyone outside of Alta Mesa told you  
8 that 2,000 lateral wells was a reasonable  
9 approximate number to plan to drill?

10 MS. PRESTON: Objection, form.

11 A. Well, the only other technical person  
12 outside of Ryder Scott then, the only other  
13 technical person that looked at this was another  
14 consulting firm, Bill Von Gonten, and they were very  
15 optimistic about the opportunities there also. They  
16 might have represented one of the equity partners.  
17 I'm not -- I don't -- I'm not sure about that.

18 But I think everybody we talked to thought  
19 that that was a reasonable expectation, that we were  
20 going to be able to develop this big -- this big  
21 footprint that we had with the 500-foot-thick  
22 limestone and that was a reasonable expectation of  
23 the number of wells it would take to most  
24 efficiently develop it.

25 Q. Do you know how to spell Mr. Von Gonten's

1 last name?

2 A. It's probably -- it's probably V-O-N  
3 capital G-O-T-E-N, probably.

4 Q. Thank you. Did Ryder Scott -- at the time  
5 you started considering an IPO for Alta Mesa, had  
6 Ryder Scott advised you that 2,000 laterals was a  
7 reasonable approximate number to expect to drill in  
8 Alta Mesa's STACK footprint?

9 MS. PRESTON: Objection, form.

10 A. Well, there was no expectation that they  
11 were going to say there was 2,000 proved,  
12 undeveloped locations. They would have been  
13 different categories, probables or possibles, and we  
14 had not asked them to document that as far as I  
15 know.

16 So -- but they knew what our plans were.  
17 And in the meetings I had, which were pretty limited  
18 because Tim did the heavy lifting there, but the  
19 meetings I had with them, they were -- they were  
20 supportive of our idea. They thought it was  
21 reasonable.

22 Q. "Tim" in your last answer is Tim Turner?

23 A. That's correct.

24 Q. How many meetings did you have with Ryder  
25 Scott prior to your consideration of taking



[PAGES INTENTIONALLY OMITTED]

1 Q. Did you personally receive stock in the  
2 new public company in connection with the business  
3 combination?

4 A. Yes.

5 Q. How much?

6 A. I don't remember.

7 Q. Approximately how much stock in the new  
8 public company do you think you received in  
9 connection with the business combination?

10 MS. PRESTON: Objection, form.

11 A. Yeah, I could be way off on this, but I'm  
12 remembering a number of like \$200 million.

13 Q. And did you ever sell -- strike that.

14 After the business combination, did you  
15 ever purchase shares in the new public company?

16 A. No, not that I --

17 Q. Prior to the business combination, did you  
18 purchase shares in the SPAC?

19 A. No.

20 Q. Did you receive stock in the new company  
21 as compensation for your employment with the new  
22 company after the SPAC?

23 MS. PRESTON: Objection, form.

24 A. You know, I don't know how to answer that.  
25 I mean, at closing, you know, I had these shares of

[PAGES INTENTIONALLY OMITTED]

1           A.     Yeah, it's my understanding.

2           Q.     Do you remember what the thresholds -- the  
3     threshold was or the thresholds were related to your  
4     earn-out?

5           A.     I think there was more than one, and I  
6     think the upper limit was \$20 a share.

7           Q.     Was there a threshold at \$12 per share?

8           A.     Could have been.

9           Q.     If everything -- well, strike that.  
10                  How much equity would you potentially  
11     receive if the Alta Mesa Resources, Inc., stock  
12     price went up and stayed up at sufficient levels?

13                  MS. PRESTON:  Objection, form.

14           A.     Well, I was optimistic enough to think  
15     that we were going to \$20 a share, so I'd actually  
16     scribbled down some of those numbers back in the day  
17     and it was -- I was going to be worth a whole bunch  
18     of money.  But I don't remember the number.

19           Q.     More than a hundred million dollars?

20           A.     Yes.

21           Q.     More than a billion?

22           A.     Probably not.

23           Q.     Do you remember calculating what you  
24     might -- what you might receive if the stock went up  
25     above 12 and stayed above \$12 per share?

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1 MS. PRESTON: Objection, form.

2 A. Yeah, to the best of my knowledge, they --  
3 yeah, I didn't have any reason to think that they  
4 didn't understand. John and Mr. Hackett are both  
5 very smart.

6 Q. When you were -- did you prepare for the  
7 meeting with the Silver Run team?

8 A. I didn't prepare with Silver Run team. I  
9 prepared for the Silver Run team.

10 Q. Thank you. Did you discuss your  
11 preparation with Mr. Chappelle?

12 A. Probably so. I would think I did, yes.

13 Q. Did Mr. Chappelle suggest that you give  
14 your presentation in any particular way?

15 MS. PRESTON: Objection, form.

16 Q. Strike that.

17 Did Mr. Chappelle advise you how he  
18 thought you should give your presentation?

19 MS. PRESTON: Objection, form.

20 A. Not to my memory.

21 Q. Is there -- did Mr. Chappelle -- strike  
22 that.

23 Is there any information that  
24 Mr. Chappelle asked you not to share with the  
25 Silver Run team?

1 A. No.

2 Q. Is there any particular information that  
3 Mr. Chappelle suggested that you share with the  
4 Silver Run team?

5 A. Well, Hal knew -- Hal knew all the work I  
6 was doing. And I suspect I told Hal what I was  
7 going to show him, which would have been, you know,  
8 our results to date, our oil in place map, our plans  
9 for developing. I don't remember -- I don't  
10 remember him suggesting that I do something  
11 different than what I had planned.

12 Q. You mentioned there was some discussion  
13 about the number of wells you planned to drill at  
14 this meeting with Silver Run. Do you remember  
15 mentioning that a few minutes ago?

16 MS. PRESTON: Objection, form.

17 A. Yeah, there's -- there's always number of  
18 wells. And in our -- when we were talking earlier  
19 before, I was using that number of 2- -- something  
20 in the range of 2,000 laterals, I think. And then  
21 there was -- but that might have been a different  
22 time period. I mean, it might have been a little  
23 bit higher by this time period. We might have added  
24 on some acreage. So -- but it would have been a  
25 really big number that we'd have been talking about

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1     hydraulic pumps. So those are your -- those are  
2     your big picture options, I think.

3           Q.     Is it true that in a lot of wells,  
4     installing an ESP increases production in the short  
5     term but has minimal effect on the EUR?

6           MS. PRESTON: Objection, form.

7           A.     Yeah, I would disagree with that  
8     conclusion for sure. The reason I -- the reason  
9     that I became such an advocate for ESPs was because  
10    of my belief the faster you got that frac water off  
11    of that rock, the less damage you're allowing that  
12    frac water to do to the rock. And that seemed  
13    particularly important at East Hennessy.

14           And the more damage you do to the rock,  
15    the less your ultimate recovery will be. So I was  
16    trying to increase ultimate recovery by running  
17    these ESPs. And it is true that you do increase  
18    production. What realistically happens more  
19    precisely is that you increase your water production  
20    because you're getting your frac water back faster.  
21    And with that, getting that frac water back faster,  
22    that means you're starting to cut oil faster. So  
23    therefore, your early time rates on oil go up too.

24           Q.     So you would agree that using ESP on --  
25    strike that.

[PAGES INTENTIONALLY OMITTED]

1           A.     Well, yeah. Tim and I talked every week,  
2     so my input was important with what Tim developed.

3           Q.     What did you and Mr. Turner discuss in  
4     that regard?

5           A.     Would have been what kind of EURs of oil  
6     and natural gas, so therefore equivalents, we should  
7     be expecting from each of our geographic areas.

8           Q.     What is the relationship between the EUR  
9     and the expected production for 2017?

10          A.     Generally speaking, the higher the EUR,  
11     the higher the initial production would be, early  
12     time production in this case. It's not always that  
13     way, but that's a general statement.

14          Q.     Did you assist in developing Alta Mesa's  
15     type curve in 2017?

16          A.     No.

17          Q.     Did you review any forecasts regarding the  
18     barrels of oil equivalent that Alta Mesa's STACK  
19     acreage was expected to yield in 2017?

20          A.     I would have -- I would have reviewed the  
21     barrel of oil part of that. The equivalent part of  
22     it, that was something that didn't -- that I didn't  
23     concentrate on, the associated gas.

24          Q.     Did you concentrate on expectations for  
25     gas separately?

1 MS. PRESTON: Objection, form.

2 A. I would have concentrated on expectations  
3 for gas as a secondary objective of what I was  
4 doing. I was concentrating on the oil reserves.

5 Q. Is that because the oil reserves are  
6 better economically?

7 A. Yes.

8 Q. Did anyone ever ask you if a forecast  
9 regarding the barrels of oil equivalent that  
10 Alta Mesa's STACK acreage would yield in 2017 was  
11 reasonable in your judgment?

12 MS. PRESTON: Objection, form.

13 A. I don't remember.

14 Q. What about barrels of oil? Did anyone  
15 ever say to you in 2017, you know, "We think we can  
16 get this many barrels of oil for the year of 2017.  
17 What do you think"?

18 MS. PRESTON: Objection, form.

19 A. We had weekly meetings, and I'm sure that  
20 was discussed. I don't specifically remember it,  
21 but I'm sure that was discussed, and everything that  
22 Tim was forecasting I didn't have a problem with.

23 Q. Do you know if -- strike that.

24 At any time prior to the closing of the  
25 business combination in February of 2018, did you

[PAGES INTENTIONALLY OMITTED]

1 with based on the information available?

2 MS. PRESTON: Objection, form.

3 A. Well, I don't know if I -- if I looked at  
4 that forecast with the focus on 2018 production, but  
5 what I'm stating is that if I would have been asked  
6 to develop it, since Tim and I had the same opinion  
7 about that, we would have came up with the same  
8 answer.

9 Q. Prior to the close of the business  
10 combination, did you do anything to ensure that any  
11 forecasts being provided by Alta Mesa to the  
12 investing public were reasonable in your judgment?

13 MS. PRESTON: Objection, form.

14 A. Yeah, the answer would be very similar.  
15 It would be, I'd be most concentrating on the oil,  
16 the EUR side of the oil.

17 Q. And did you do anything to ensure that the  
18 projections for oil recovery that were being  
19 provided by Alta Mesa to the public were reasonable  
20 in your judgment?

21 MS. PRESTON: Objection, form.

22 A. Well, only that I think the whole  
23 leadership team believed that our type curve is  
24 250,000 barrels or so and that we all believed that  
25 at the time.

[PAGES INTENTIONALLY OMITTED]

1 Q. Did you prepare any part of this press  
2 release?

3 MS. PRESTON: Take a second to look at it,  
4 Mr. Ellis.

5 A. Yeah. (Witness reviews document)

6 No, I wouldn't have prepared this.

7 Q. Did you review any drafts before it was  
8 published?

9 A. Usually I did. I mean, probably.

10 Q. Do you see under "Highlights" there's a  
11 series of sort of arrow-shaped bullets? The fourth  
12 one, you see the fourth one where it reads, "Alta  
13 Mesa is providing 2018 exit production guidance of  
14 38,000 to 40,000 BOE per day"?

15 A. Yes.

16 Q. And it goes on to say "and updated annual  
17 production guidance of 29,000 to 31,000 BOE per day  
18 for full year 2018"? Do you see that?

19 A. Yes, yes.

20 Q. Who made the decision to give an updated  
21 annual production guidance of 29,000 to 31,000 BOE  
22 per day?

23 MS. PRESTON: Objection, form.

24 A. Well, that would -- I mean, Hal and Mike  
25 McCabe would have been instrumental in those numbers



1 and using Tim Turner's work.

2 Q. Did anyone discuss -- did anyone discuss  
3 that with you?

4 A. Well, we -- again, leadership team met at  
5 least twice a month, and we -- and we all were aware  
6 of what everybody in leadership team was doing. So  
7 I don't specifically remember those -- those  
8 numbers, but I would have been in agreement with  
9 them at the time.

10 Q. Why was Alta Mesa's production forecast  
11 for 2018 as of August 14, 2018, lower than what had  
12 been forecast in March of 2018?

13 MS. PRESTON: Objection, form.

14 A. I don't remember. I mean, one of the big  
15 items we talked about before was the shut-ins  
16 period, and that was -- that was -- that was a very  
17 difficult issue, and I'm not sure even now the  
18 industry's come up with a good solution to that. I  
19 think the whole industry was recognizing this being  
20 an issue at the same time as we were.

21 Q. Is it true that in addition to the shut-in  
22 issue, the wells that Alta Mesa had drilled simply  
23 had a lower EUR on average than what had been  
24 predicted before they were drilled and producing?

25 MS. PRESTON: Objection, form.

[PAGES INTENTIONALLY OMITTED]

1           And, you know, we -- I relied a lot on the  
2 Schlumberger reservoir modeling which suggested, as  
3 I've testified before, eight wells in the lower  
4 bench. But they also said there's risk to that in  
5 that there's reasons to perhaps drill four wells in  
6 the lower bench and four wells in the middle, middle  
7 bench.

8           Q. Did you resign your position at Alta Mesa?

9           A. I was asked to resign.

10          Q. What was said to you when you were asked  
11 to resign?

12          A. That the board had voted to relieve me of  
13 my duties.

14          Q. Were you told why?

15          A. Nothing more than that, that the board  
16 had -- board had voted to remove Hal, me, and Gene.

17          Q. With no explanation?

18               MS. PRESTON: Objection, form.

19          A. Jim came into my office and gave me that  
20 news probably an hour after I left the meeting, and  
21 that's all that I remember him saying.

22          Q. Did you have any conversations with anyone  
23 after you were asked to resign about why the board  
24 asked you to resign?

25          A. No, I don't think I questioned that.

[PAGES INTENTIONALLY OMITTED]

**PX 225**

**In the Matter Of:**

*DUNN vs*

*CHAPPELLE*

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*MICHAEL ELLIS*

*March 31, 2023*

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[PAGES INTENTIONALLY OMITTED]

<p style="text-align: right;">Page 9</p> <p><b>1</b> might just ask that my final question be answered.  <b>2</b> Okay?  <b>3</b> A. Yes.  <b>4</b> Q. Is there anything that would prevent you from  <b>5</b> providing truthful testimony today, Mr. Ellis?  <b>6</b> A. No.  <b>7</b> Q. So I understand that you founded Alta Mesa in  <b>8</b> around 1987. Is that accurate?  <b>9</b> A. That is correct.  <b>10</b> Q. Not meaning this to be a memory test.  <b>11</b> At its founding, could you just generally  <b>12</b> describe what the business of Alta Mesa was.  <b>13</b> A. Yes. I started up Alta Mesa out of my house.  <b>14</b> That's why the name is Alta Mesa because it was on Alta  <b>15</b> Mesa Street at the time. A lot of my experience was  <b>16</b> Gulf Coast, Texas; and so we started off trying to do  <b>17</b> acquisitions in Gulf Coast, Texas.  <b>18</b> Q. Acquisitions of what?  <b>19</b> A. Oil and gas wells.  <b>20</b> Q. Did you have any other partners at the time  <b>21</b> that you started the company?  <b>22</b> A. No.  <b>23</b> Q. And this will be -- I'm going to tell you right  <b>24</b> now it will be a broad question. But can you kind of  <b>25</b> give me a timeline from, you know, roughly the start of</p>	<p style="text-align: right;">Page 11</p> <p><b>1</b> to roughly 2010, the next kind of ten years of the  <b>2</b> business.  <b>3</b> A. Yeah. We grew mainly through the drilling in  <b>4</b> South Texas of the 3D seismic that we were shooting. We  <b>5</b> grew the company. By the year 2000, I had somewhere  <b>6</b> around 14 employees. I had one geologist and about four  <b>7</b> engineers and staff to make it all work.  <b>8</b> Q. And throughout that ten-year time frame from  <b>9</b> 2000 to 2010, did the company continue to acquire  <b>10</b> acreage in Oklahoma?  <b>11</b> A. Yes, definitely. Most of it was done in the  <b>12</b> mid '90s, yes.  <b>13</b> Q. And you mentioned there was some other places  <b>14</b> outside of Texas and Oklahoma. Where else was the  <b>15</b> company owning -- where else did the company own acreage  <b>16</b> in this time frame?  <b>17</b> A. Panhandle Florida, a field called Blackjack  <b>18</b> Creek. I'm not sure if we were in Louisiana in the '90s  <b>19</b> or not. We were there shortly after the year 2000.  <b>20</b> Q. What about Idaho, was that sometime after 2000  <b>21</b> as well?  <b>22</b> A. That was, yeah.  <b>23</b> Q. And I guess, you know, more importantly, let's  <b>24</b> talk kind of 2010 through 2017. I know it's a large  <b>25</b> time frame. But can you give me your description of the</p>
<p style="text-align: right;">Page 10</p> <p><b>1</b> the company through -- let's start with like 2000, so  <b>2</b> those first 13 years.  <b>3</b> A. Yeah. Starting in '87, then I was the only  <b>4</b> engineer. So I did all the workovers. It was a lot of  <b>5</b> hours away from the house. That was stressful.  <b>6</b> But then in '89 I developed enough wells  <b>7</b> that I could hire somebody to help me out. We moved  <b>8</b> into an office in '89.  <b>9</b> Then during the '90s I was involved with  <b>10</b> some of the initial 3D seismic along the Gulf Coast  <b>11</b> onshore that independents were doing. And that's what I  <b>12</b> concentrated on generally through the '90s. And, of  <b>13</b> course, it was during the mid '90s I started acquiring  <b>14</b> acreage in Oklahoma.  <b>15</b> Q. And was that in the STACK region of Oklahoma?  <b>16</b> A. It was.  <b>17</b> Q. Any other regions that you were acquiring  <b>18</b> acreage?  <b>19</b> A. Not in Oklahoma.  <b>20</b> Q. In roughly like the 2000 time frame how many  <b>21</b> employees or people were working with you, if you  <b>22</b> recall?  <b>23</b> A. We just had two. I had an engineer and a  <b>24</b> secretary.  <b>25</b> Q. Can you then bring me through, you know, 2000</p>	<p style="text-align: right;">Page 12</p> <p><b>1</b> kind of history and evolution of the business during  <b>2</b> those seven years?  <b>3</b> MS. PRESTON: Objection, form.  <b>4</b> A. Well, in 2004 I had the attitude that I was  <b>5</b> just going to stay a small independent but I had built  <b>6</b> this relationship with Hal Chappelle and he had become  <b>7</b> available. So we talked for many months, maybe six  <b>8</b> months. And ultimately I decided to let him come  <b>9</b> on-board and run the company as the CEO because I didn't  <b>10</b> like dealing with banks. And then I would just take  <b>11</b> care of the engineering.  <b>12</b> So under Hal's stewardship then we got  <b>13</b> more aggressive with operations everywhere. We chased a  <b>14</b> lot of acreage plays, most of which didn't work. Idaho  <b>15</b> did work, and we're proud of that. And we were able  <b>16</b> to -- with all the knowledge we had in the STACK we were  <b>17</b> able to start expanding our footprint in the STACK also.  <b>18</b> BY MR. BRUCKERHOFF:  <b>19</b> Q. You mentioned Mr. Chappelle. When did he  <b>20</b> approximately join at the company?  <b>21</b> A. Around 2004.  <b>22</b> Q. And during the time frame 2016/2017, what then  <b>23</b> were your job responsibilities at Alta Mesa?  <b>24</b> A. Overseeing the engineering, all aspects of the  <b>25</b> engineering.</p>



**PX 226**

Page 1

VOLUME: I  
PAGES: 1-301  
EXHIBITS: D-79-D-83

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION  
CIVIL ACTION NO. 4:19-cv-00957

IN RE:

ALTA MESA RESOURCES, INC.  
SECURITIES LITIGATION

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ALYESKA MASTER FUND, L.P., ALYESKA MASTER  
FUND 2, L.P., AND ALYESKA MASTER FUND 3, L.P.,  
Plaintiffs,

vs.

ALTA MESA RESOURCES, INC., f/k/a SILVER RUN  
ACQUISITION CORPORATION II; RIVERSTONE HOLDINGS,  
LLC; ARM ENERGY HOLDINGS, LLC; BAYOU CITY ENERGY  
MANAGEMENT, LLC; HPS INVESTMENT PARTNERS, LLC;  
JAMES T. HACKETT; HARLAN H. CHAPPELLE; WILLIAM  
GUTERMUTH; JEFFREY H. TEPPER; DIANA J. WALTERS;  
MICHAEL E. ELLIS; RONALD SMITH; DON  
DIMITRIEVICH; PIERRE F. LAPEYRE, JR.; DAVID M.  
LEUSCHEN; WILLIAM W. McMULLEN; DONALD SINCLAIR;  
STEPHEN COATS; and THOMAS J. WALKER,  
Defendants.

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VIDEOTAPED DEPOSITION OF STEVEN P. FEINSTEIN, PhD  
FRIDAY, NOVEMBER 10, 2023  
8:56 AM (EST)

[PAGES INTENTIONALLY OMITTED]

1 Q. And Silver Run did not yet own Kingfisher  
2 as of December 31st, 2017; correct?

3 A. Right. So there's -- the ownership isn't  
4 there, but there is an economic linkage 'cause the  
5 company is marketing its securities by explaining  
6 that these two operating entities will be owned by  
7 Silver Run.

8 So -- but they -- but they weren't yet  
9 owned at that point, but there -- but there is a  
10 linkage between the -- you know, the business  
11 combination hadn't -- hadn't happened yet and  
12 hadn't been voted on yet, but Silver Run existed at  
13 this point for the purpose of buying either AMH and  
14 Kingfisher or assets similar to it.

15 Q. Okay. But you'd agree that this statement  
16 does not concern the internal controls of AMH?

17 MR. SMITH: Objection to form.

18 A. I'm not -- I'm not an accountant or a  
19 lawyer. So there -- there it gets a little tricky.  
20 It might. Like, I -- I mean, where my expertise is  
21 is, you know, how do equity analysts and investors  
22 interpret this information?

23 Internal controls are about the flow of  
24 information, and if this is -- I think it's  
25 reasonable -- I think a reasonable economic -- or

1 stock investor or equity analyst would consider  
2 this statement to be a reflection on the flow of  
3 information involved in the due diligence that was  
4 purportedly taking place at that point in time.

5 Q. Okay.

6 A. Which would include the targets, not just  
7 the acquirer.

8 Q. Had there been a change in Silver Run's  
9 internal controls as of December 31st, 2017?

10 MR. SMITH: Objection to form.

11 A. Again, I -- I -- I don't know. I mean,  
12 I -- it's -- it's altogether possible that the  
13 answer is no because they were deficient before and  
14 after. I think -- in fact, I think that's what the  
15 allegation is, is that they were deficient before  
16 and after.

17 But what's -- what's more -- what I  
18 analyzed is what was the economic impact of the  
19 market not knowing that there were deficiencies in  
20 internal controls since the start of the class  
21 period and then learning that there were  
22 deficiencies in internal controls near the end of  
23 the class period. That's what I studied.

24 THE WITNESS: Can we take a break? It's  
25 been another -- it's 11:30. Actually, beyond

**PX 227**

Page 1

1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF TEXAS  
3 HOUSTON DIVISION  
4  
5

6 IN RE ALTA MESA RESOURCES, ) CASE NO.  
7 INC. SECURITIES LITIGATION ) 4:19-cv-00957  
8  
9

10  
11 REMOTE VIDEOTAPED DEPOSITION OF  
12 EDWARD FETKOVICH  
13 NOVEMBER 1, 2023  
14 9:03 a.m. ET  
15  
16

17 Witness Appearing From:  
18 Law Offices of Latham & Watkins LLP  
555 Eleventh Street, NW  
19 Washington, D.C. 20004  
20  
21

22 Conducted Remotely Via Videoconference  
23  
24  
25

[PAGES INTENTIONALLY OMITTED]



1       there's -- you know, there's the continuation of  
2       that that's a much smaller payment annually.

3       But yeah.

4             Q.     And then the other bullets listed here,  
5       these are all different ways that the operator can  
6       save costs by drilling an S-shaped well, correct?

7             A.     Correct.

8             Q.     Okay.

9             A.     Well, let me -- let me -- let me restate  
10       that.

11                By drilling a deviated well or by -- or by  
12       minimizing the number of surface locations required  
13       to develop the acreage, that's -- that's the name of  
14       the game.

15             Q.     And all of these costs, are they all  
16       substantially all -- are all of the cost savings  
17       noted in these bullets substantially realized up  
18       front?

19             A.     Yes.

20             Q.     Okay. So is it -- is it fair to say that  
21       the cost savings realized from drilling S-shaped  
22       wellbores are mostly realized up front?

23             A.     The cost of drilling deviated wellbores  
24       are realized up front.

25             Q.     I'm -- the answer is different for

**PX 228**

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE:

ALTA MESA RESOURCES, Civil Action No.  
INC. SECURITIES 4:19-cv-00957  
LITIGATION

-----  
ALYESKA MASTER FUND,  
L.P., ALYESKA MASTER  
FUND 2, L.P., AND  
ALYESKA MASTER FUND 3,  
L.P.,

Plaintiffs,

v.

Case No.  
4:22-cv-01189

ALTA MESA RESOURCES,  
INC., f/k/a SILVER RUN  
ACQUISITION CORPORATION  
II; RIVERSTONE HOLDINGS,  
LLC; ARM ENERGY  
HOLDINGS, LLC; BAYOU  
CITY ENERGY MANAGEMENT,  
LLC; HPS INVESTMENT  
PARTNERS, LLC; JAMES T.  
HACKETT; HARLAN H.  
CHAPPELLE; WILLIAM  
GUTERMUTH; JEFFREY H.  
TEPPER; DIANA J.  
WALTERS; MICHAEL E.  
ELLIS; RONALD SMITH; DON  
DIMITRIEVICH; PIERRE F.  
LAPEYRE, JR.; DAVID M.  
LEUSCHEN; WILLIAM W.  
McMULLEN; DONALD  
SINCLAIR; STEPHEN COATS;  
and THOMAS J. WALKER,

Defendants.

REMOTE VIDEOTAPED DEPOSITION OF  
FRANK GAGLIARDI  
November 3, 2023

9:41 a.m. Central

Deanna Amore - CRR, RPR, CSR - 084-003999

[PAGES INTENTIONALLY OMITTED]

1 A. It was never proven to be successful.

2 Q. Was it an unreasonable initial base case  
3 assumption?

4 MR. SPARACIO: Objection. Form.

5 THE STENOGRAPHER: Who was that?

6 MR. SPARACIO: Mr. Sparacio for the Alyeska and  
7 Orbis plaintiffs. Sorry.

8 Objection. Form.

9 BY MS. GRAGERT:

10 Q. What's your answer, sir?

11 A. Can you repeat the question?

12 Q. Sure.

13 Was 12 wells per section an unreasonable  
14 initial base case assumption?

15 MR. SPARACIO: Same objection.

16 THE WITNESS: Yes, it seemed unreasonable.

17 BY MS. GRAGERT:

18 Q. Why?

19 A. They were relying on three benches that  
20 were never proven to be independent.

21 Q. Based on what they knew, let's say early  
22 2017, was it unreasonable at that time?

23 MS. CRISPIN: Objection. Form.

24 THE WITNESS: Yes, it was.

25

1 BY MS. GRAGERT:

2 Q. Did they -- is it your position that an  
3 operator has to have a proven -- has to know for  
4 certainty the number of benches available and their  
5 acreage before they could create an initial base  
6 case assumption?

7 A. There is testing that you can do prior to  
8 making those assumptions to see if your theory is  
9 valid.

10 Q. Do you need to have certainty about those  
11 benches before you can have a base case assumption?

12 A. You would want to know the range of  
13 certainty.

14 Q. Is it your opinion that Alta Mesa as of  
15 mid 2017 had no evidence to support multiple  
16 benches?

17 MS. CRISPIN: Objection. Form.

18 THE WITNESS: They had three benches, but they  
19 were not independent of each other. They could  
20 have had 12 benches, 24 benches, as many benches as  
21 they wanted, but there weren't two benches that  
22 were not connected.

23 BY MS. GRAGERT:

24 Q. Is it your opinion that an operator should  
25 not assume that it can land wells in multiple

1 benches if there's any level of communication  
2 between those benches?

3 MS. CRISPIN: Objection. Form.

4 THE WITNESS: There's a degree of interference,  
5 obviously, to where it's not a problem, and there's  
6 a degree where it's massively a problem.

7 BY MS. GRAGERT:

8 Q. As of mid 2017, what is your understanding  
9 of Alta Mesa's understanding of the degree of --  
10 what's the word you used? -- interference?

11 MS. CRISPIN: Objection. Form.

12 THE WITNESS: There, again, I don't know --  
13 I don't know what Alta Mesa was thinking.

14 BY MS. GRAGERT:

15 Q. You believed it was unreasonable for them  
16 to conclude, based on the evidence they had, that  
17 they would not be able to -- that there was -- let  
18 me -- let me rephrase that.

19 Do you believe, as of mid 2017, Alta Mesa  
20 knew that there was too much interference between  
21 the three -- between multiple benches for them to  
22 operate under an assumption they would be able to  
23 land wells in multiple benches?

24 MS. CRISPIN: Objection. Form.

25 THE WITNESS: I don't know what Alta Mesa was

1 thinking.

2 BY MS. GRAGERT:

3 Q. You looked at the evidence available to  
4 them as of mid 2017; right?

5 A. Yes, I did look at that evidence.

6 Q. And based upon all of the evidence that  
7 you looked at, you concluded -- did you conclude --  
8 well, let me rephrase that.

9 Based on all of the evidence available to  
10 Alta Mesa in mid 2017 that you reviewed, did you  
11 reach a conclusion about the severity of  
12 interference amongst the benches?

13 A. So did I understand the severity of the  
14 interference? Is that the question?

15 Q. Yes.

16 A. For me, reviewing the data, I could see  
17 the severity of the interference between benches.

18 Q. Did you conduct any analysis of the amount  
19 of interference between the benches based on the  
20 data available as of mid 2017?

21 A. Yeah, I think if you look at my report,  
22 there's evidence on the Bullis-Coleman pad to where  
23 parent wells that had been drilled the prior year,  
24 year and a half before, drained multiple benches.  
25 So you have direct evidence of depletion in the



1 vertical that suggested -- and then there was  
2 tracer tests and trading of fluids, and so there  
3 was no evidence there that suggested benches were  
4 separate.

5 Q. I recognize -- I understand you believe  
6 there was connection between those benches. I'm  
7 trying to understand, did you conduct any of your  
8 own analysis to understand how severe that  
9 interconnectedness might be?

10 A. Only from the data of looking at  
11 production, raw production data, and some pressure  
12 data from the Ash Foster test that was a little bit  
13 later. Actually, the Ash Foster was mid summer  
14 2017. You had pressure and tracer data, but it  
15 didn't come online until later in the fall. But  
16 you had early indications in the Ash Foster that  
17 multiple benches, a three-bench test, where you had  
18 interference and production savings from zones.

19 Q. Ash Foster was spud in May of 2017;  
20 correct?

21 A. Correct.

22 Q. First production wasn't until the end of  
23 2017. Would you agree with me?

24 A. Correct.

25 Q. Is it your opinion that by mid 2017

1 Ash Foster provided evidence of connectivity  
2 amongst the benches?

3 A. Yeah, there was tracer information and  
4 pressure data and information that was run when the  
5 wells were fracked in August.

6 Q. What was that data? What did it show?

7 A. It showed interference. It's in my  
8 report.

9 Q. How much?

10 A. It's ultimately borne out in the  
11 production numbers that came later, but there was  
12 interference between them. So you knew there was  
13 interference.

14 Q. How much interference did the Ash Foster  
15 pattern test demonstrate to Alta Mesa was occurring  
16 before first production?

17 A. Would you like to go to my report?

18 Q. Sure. Let's look at your report and tell  
19 me where it shows that.

20 A. I didn't say it showed that.

21 Q. Okay. I didn't mean to misunderstand.  
22 Where in your reporting supports this argument  
23 you're making now?

24 A. On page 18. Paragraph 54, 17 and 18.

25 Q. What does this tell you about the degree

1 of connectivity of the benches?

2 A. To answer your question on degree, it's a  
3 relative -- there's not -- it's not quantitative  
4 until you don't see any production, and then you  
5 don't have any production. So there are some wells  
6 that when they are interfered with, they have zero  
7 production. So that's zero dollars, zero revenue.  
8 So that's severe. That's your one end of  
9 interference.

10 The other end of interference would be,  
11 you know, wells are just taken offline for a couple  
12 of months, and maybe they come back. Some wells  
13 never come back.

14 So there's a range of interference.  
15 There's not a degree such as like 10 percent or  
16 15 percent. There's no answer in that regard.

17 Q. So is it fair that there's some degree of  
18 interference that can occur in which it still makes  
19 sense to treat the area as multiple benches?

20 MS. CRISPIN: Objection to form.

21 THE WITNESS: If the spacing permits -- sorry.

22 If the spacing permits, yes.

23 BY MS. GRAGERT:

24 Q. It's -- it's your opinion that Alta Mesa  
25 was the only operator drilling in the Osage?

1 A. No.

2 Q. How many others were drilling in the Osage  
3 in the STACK?

4 A. On the shelf in the STACK, there were a  
5 handful of operators that were drilling Osage.

6 Q. Were they acting unreasonably in doing so?

7 MS. CRISPIN: Objection. Form.

8 THE WITNESS: I did not study those companies  
9 as far as their procedures and methods. I know of  
10 them.

11 BY MS. GRAGERT:

12 Q. Based on public information, is there any  
13 reason to believe that what they -- was there any  
14 reason at the time to believe what they were doing  
15 was unreasonable?

16 MS. CRISPIN: Objection. Form.

17 THE WITNESS: Are you referring to their peers  
18 on their shelf?

19 BY MS. GRAGERT:

20 Q. Yes.

21 A. There, again, I wasn't -- I didn't study  
22 those companies.

23 Q. Alta Mesa could have seen that their peers  
24 were doing this as well to provide them comfort in  
25 their own plans.

1 MS. CRISPIN: Objection to form.

2 THE WITNESS: I'm sure Alta Mesa -- sorry,  
3 Callie.

4 I'm sure Alta Mesa looked at what their  
5 peers were doing.

6 BY MS. GRAGERT:

7 Q. And if it demonstrated they were  
8 drilling -- they assumed multiple benches as well,  
9 that's at least some evidence for Alta Mesa to  
10 consider to support their belief in multiple  
11 benches?

12 A. If the geology was similar and the  
13 treatments were similar. So you have to have --  
14 you just can't say -- they may be tighter space,  
15 but they don't treat them as heavily. So just  
16 looking at what another operator does -- you have  
17 to look at your geology. Then you have to look at  
18 their treatment structure. It may not be the  
19 blueprint.

20 Q. You should have Exhibit 66 in your exhibit  
21 folder now, sir.

22 (Whereupon, Exhibit 66 was  
23 marked for identification.)

24 THE WITNESS: Yes.  
25

**PX 229**

CONFIDENTIAL

Page 1

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE: ALTA MESA §  
RESOURCES, INC. § CASE NO. 4:19-cv-00957  
SECURITIES LITIGATION §

ORAL AND VIDEOTAPED DEPOSITION OF WILLIAM GUTERMUTH  
MAY 9, 2023

\*\* CONFIDENTIAL \*\*

ORAL AND VIDEOTAPED DEPOSITION OF WILLIAM  
GUTERMUTH, produced as a witness at the instance of the  
Plaintiffs and duly sworn, was taken in the above styled  
and numbered cause on Tuesday, May 9, 2023, from  
10:07 a.m. to 6:31 p.m., before Janalyn Elkins, CSR, in  
and for the State of Texas, reported by computerized  
stenotype machine, viz Zoom, pursuant to the Federal  
Rules of Civil Procedure and any provisions stated on  
the record herein.

[PAGES INTENTIONALLY OMITTED]



CONFIDENTIAL

Page 24

1 A. No, or otherwise.

2 Q. How long did your tenure as a board member of  
3 Silver Run II last?

4 A. From the time -- in other words, I went on the  
5 board in the spring of 2017 until the annual meeting of  
6 2018, after the Alta Mesa and Kingfisher acquisitions,  
7 which was in June the following year, June 18th -- June  
8 of 2018.

9 Q. And did you seek reelection at the end of the  
10 annual meeting in order to continue serving on the board  
11 of Alta Mesa Resources?

12 A. I did not.

13 Q. And why was that?

14 A. Jim Hackett contacted me in the spring of 2018  
15 and said he was dealing with a situation with Ellis &  
16 Chappelle, that they felt they did not have much of a  
17 say in who was on the board. And Jim said, "Well,  
18 that's fine, but if you have -- if you have some  
19 candidates you think would be good for the board, I'd be  
20 happy to look at them." And I understand he submitted a  
21 couple that were not acceptable. And he subsequently  
22 submitted Sylvia Kerrigan, who is highly credentialed,  
23 very competent. And her credentials, she was a lawyer  
24 and I would think probably more highly credentialed than  
25 I was.

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 26

1 repeat the question? I think I maybe wandered off  
2 there.

3 Q. The question was if you had served on the audit  
4 committee of the board throughout your tenure, so from  
5 March of 2017 to June of 2018, when you did not seek  
6 reelection.

7 A. Yes is the answer.

8 Q. Okay. And it sounds like at least until the  
9 business combination closed, you were on other  
10 committees also?

11 A. Yes. Well, again, sorry, not to split hairs  
12 here, but we served as committees of the whole. There  
13 were no -- we didn't really act formally as committees.  
14 As I said, there really wasn't much for us to do.

15 Q. I'm not familiar with the term "committees of  
16 the whole." What is -- when you say that, what do you  
17 mean?

18 A. I mean that all three of the directors,  
19 independent directors served as the committee members of  
20 all the committees. So there was very little difference  
21 between the board and the committees.

22 Q. And did you hold board meetings prior to the  
23 business combination?

24 A. We did. Yes is the answer to the question. We  
25 certainly did, yes.

CONFIDENTIAL

Page 27

1 Q. And what business was there to conduct prior to  
2 the announcement of the proposed business combination?

3 A. Well, there were the routine corporate matters  
4 associated with the directors of a public company. We  
5 still had to file Qs and Ks and approve those things.  
6 But in I'd say July of 2017 when the proposal -- when  
7 the management brought to the board a proposal regarding  
8 Alta Mesa and Kingfisher, then there was a lot of work  
9 to do in terms of working through what that looked like,  
10 what it was going to cost, how it was going to be  
11 structured, all the things that go into board-level  
12 activity for a major acquisition, in this case, II.

13 Q. When you joined the board of Silver Run II, did  
14 you disclose a potential conflict that you had?

15 A. Yes.

16 Q. And what was the nature of that potential  
17 conflict?

18 A. Let me be clear. I didn't think it was a  
19 conflict. But I wanted to -- I wanted the board to be  
20 aware of it in case someone was concerned about it.

21 I had, prior to the time I joined the  
22 board, invested approximately \$400,000 in Bayou City  
23 Energy fund 1 which had two investments in Alta Mesa.  
24 They were drilling partnerships. And the -- I made an  
25 estimate of what Bayou City's estimate of the value was.

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 30

1 to the board about issues with the auditor or otherwise.

2 Q. And I think you said you reviewed financial  
3 statements of Alta Mesa Resources. Did you review the  
4 draft 10-K for Alta Mesa Resources for 2017?

5 A. When it was filed in March of 2018, is that the  
6 one you're referring to?

7 Q. Yes.

8 A. Yes, I did. I did, yes.

9 Q. Were you given the opportunity to provide  
10 comments on that draft 10-K?

11 A. Yes, I was.

12 Q. And do you recall if you had any edits or  
13 comments to that document?

14 A. I do not recall.

15 Q. Do you recall if you were given the opportunity  
16 to review any draft press releases between the time the  
17 business combination closed and the time you left the  
18 board?

19 A. Press releases regarding financial statements  
20 or press releases generally?

21 Q. I meant press releases generally.

22 A. I reviewed the ones having to do with the  
23 quarterly and annual financial statements. I don't  
24 recall reviewing ones that -- other ones that were  
25 issued for whatever reason.

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 32

1 A. It was BDO.

2 Q. And were you -- were you part of the process of  
3 selecting BDO as auditor for AMR?

4 A. No.

5 Q. Were they a legacy auditor of one of the  
6 entities involved in the business combination?

7 A. Yes.

8 Q. And which entity was that?

9 A. AMR.

10 Q. Were you part of the process of selecting a  
11 replacement auditor for BDO Seidman?

12 A. I was.

13 Q. And did you help interview and select KPMG?

14 A. I did.

15 Q. And who did you work on in -- with that -- in  
16 that process?

17 A. All the independent directors were on the audit  
18 committee and we all -- certainly all had the  
19 opportunity to participate in those interviews. I know  
20 Dianna was there. I can't remember off the top of my  
21 head if Jeff and Don were there or not. But everybody  
22 had the opportunity to and may, in fact, have done it.  
23 Dianna was there in person as was I. I don't recall if  
24 anybody else was or was on the phone.

25 Q. And do you recall what was the reason there was



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CONFIDENTIAL

Page 61

1 of the board of directors. Do you have any recollection  
2 of why three separate meetings were called over a  
3 four-day time frame?

4 A. The dates are 18th, 19th and 21st; those are  
5 the ones you're referring to?

6 Q. Yes. My question was whether you had an  
7 independent recollection election of why the company  
8 scheduled three special meetings within a four-day time  
9 frame.

10 A. The reason that there were three meetings in  
11 such close proximity is that the first one was when the  
12 notion of the Alta Mesa-Kingfisher acquisition was  
13 introduced by TPH. The others were follow-ups to that  
14 meeting that were requested board members or other  
15 parties to follow up or get additional information or  
16 ask questions. So they were all related to the  
17 potential acquisition.

18 Q. And if I could direct your attention again to  
19 the July 18, 2017 minutes. The bottom of the first page  
20 reads, (Reading:) Ms. Wassenaar presented a detailed  
21 description of the assets of Alta Mesa and Kingfisher  
22 Midstream. The due diligence results to date in a  
23 potential valuation of \$4.1 billion with a 700 million  
24 earnout. The independent members of the board requested  
25 a meeting with Tudor Pickering Holt & Co. to verify

CONFIDENTIAL

Page 62

1 independently the valuations presented by Ms. Wassenaar.

2 Do you see that?

3 A. I do.

4 Q. Do you recall what were the due diligence  
5 results to date that Ms. Wassenaar was presenting?

6 A. Not with any specificity other than she had  
7 done a lot of due diligence and she was presenting her  
8 findings and those of her team.

9 Q. And was she presenting on any other potential  
10 acquisitions at that meeting?

11 A. No. No.

12 Q. And was she recommending the company -- strike  
13 that.

14 Was she recommending the board consider  
15 that acquisition?

16 MS. WALLER: Objection, form.

17 THE WITNESS: I don't know that she was in  
18 a position to make a recommendation of that type. The  
19 reason that she was making the presentation is so the  
20 board could evaluate a possible acquisition. But I  
21 don't recall that she made a recommendation one way or  
22 other.

23 Q. (BY MS. FOX) And did she explain how she had  
24 obtained the valuation of \$4 billion -- \$4.1 billion?

25 Sorry.

CONFIDENTIAL

Page 63

1           A. I'm sure she did. Although I don't recall what  
2           the components of that recommendation were or the basis  
3           of the recommendation. Sorry, not a recommendation, the  
4           valuation.

5           Q. If you could go to page 6 of 6. It is the  
6           minutes from the July 19, 2017, special committee and it  
7           looks like you participated in the meeting  
8           telephonically, correct?

9           A. I did.

10          Q. And the board had previously requested that  
11          representatives from TPH be convened to verify the  
12          valuations presented by Ms. Wassenaar. Is that what was  
13          done at the July 19, 2017, meeting?

14          A. I'm sorry. Could you ask the question again?

15          Q. Sure. When we looked at the July 18, 2018,  
16          minutes, they reflected that the board of SRun II --  
17          strike that. Let's start again.

18                       When we looked at the July 18, 2017,  
19          minutes, they reflected that the independent members of  
20          the SRun II board had requested a meeting with TPH to  
21          verify independently the valuations presented by  
22          Ms. Wassenaar.

23                       The question is: The meeting that was held  
24          the very next day on July 19, 2017, appears to have  
25          representatives of TPH at the meeting. Do you recall

CONFIDENTIAL

Page 64

1 the representatives from TPH presenting any valuation of  
2 the proposed business combination?

3 A. Well, I see the minutes say that they did. I  
4 don't have a specific recollection of what they said.

5 Q. Do you recall what was the numerical valuation  
6 they assigned to the proposed business combination?

7 A. I do not.

8 Q. And do you recall if they explained to the  
9 board at the July 19, 2017, meeting what they had done  
10 to assess the valuation of the proposed business  
11 combination?

12 A. Do I recall that?

13 Q. Yes.

14 A. I do not have a specific recollection of that.

15 Q. Do you recall if at the July 19, 2017, meeting  
16 TPH presented a slide deck of any sort?

17 A. I don't recall what the presentation looked  
18 like.

19 Q. Do you recall if you received a report of any  
20 sort from TPH in advance of the July 19, 2017, meeting?

21 A. I recall that there was a report which I  
22 believe came from TPH. I don't know if it was in  
23 advance of this meeting in connection with this meeting  
24 or what the chronology was. But we did have a report  
25 from TPH.

CONFIDENTIAL

Page 65

1 Q. And do you recall what that report said?

2 A. It said a lot of things. It was real long.

3 Q. Do you recall what the valuation was that TPH  
4 assigned to the proposed business combination?

5 A. I do not.

6 Q. Do you recall if you kept a copy of the TPH  
7 report that you just mentioned?

8 A. I believe I did.

9 Q. If I could direct your attention now to the  
10 very first page of Exhibit 450, it is the minutes from  
11 the July 21, 2017, special meeting of the board of  
12 directors.

13 Do you see that you attended that  
14 teleconference meeting?

15 A. I do.

16 Q. And under feedback from TPH meeting it reads,  
17 (Reading:) The board discussed the information  
18 presented by Tudor Pickering Holt & Co. at the previous  
19 board meeting. The board was satisfied with the  
20 valuation proposed by the company for the Alta Mesa and  
21 Kingfisher assets.

22 Do you see that?

23 A. I do.

24 Q. And by the valuation proposed by the company,  
25 do you recall if that was the \$4.1 billion valuation

CONFIDENTIAL

Page 66

1 proposed by Ms. Wassenaar?

2 A. I do not recall.

3 Q. Then under status of negotiations, it says  
4 that, (Reading:) Mr. Hackett -- and that's in  
5 brackets -- then discussed key features of a proposed  
6 purchase agreement of Alta Mesa and Kingfisher and  
7 further due diligence updates. Mr. Hackett and other  
8 representatives of Riverstone Holdings, LLC, answered  
9 questions from the board about the proposed transaction.

10 Do you see that?

11 A. I do.

12 Q. Do you recall any of the further due diligence  
13 updates that Mr. Hackett made at the July 21, 2017,  
14 meeting?

15 A. No, I don't. Not with any specificity.

16 Q. Do you recall if you were one of the -- one of  
17 the board members who asked any questions about the  
18 proposed transaction?

19 A. I don't recall.

20 Q. If you turn to the next page, there's a  
21 description of a proposed \$500 million PIPE.

22 Do you see that?

23 A. I do.

24 Q. Do you have any understanding of why  
25 Mr. Hackett was proposing a -- the launch of a

[PAGES INTENTIONALLY OMITTED]



CONFIDENTIAL

Page 83

1 have admired and respected and enjoyed knowing.

2 Q. And in connection with what I've marked as  
3 Exhibit 455, you write to Jim Hackett, (Reading:) Many  
4 thanks to you and the entire Riverstone team. This is a  
5 tough deal and getting it signed up is a real tribute to  
6 everyone involved. I fully expect this to be a home run  
7 for Riverstone. Best, WDG.

8 What did you mean by the fact that you  
9 expected it to be a home run for Riverstone?

10 A. I meant that I believed in the assets that were  
11 being acquired. I believed in their potential to be  
12 extremely profitable and that the company, in  
13 combination with KFI, could be have a very successful  
14 acquisition for SR2.

15 Q. Now, you mentioned that you believed the assets  
16 that were being acquired were -- had the potential to be  
17 extremely profitable. Did you do any personal due  
18 diligence in connection with assessing the potential  
19 profitability of the assets being acquired?

20 A. No. My impression was based on the due  
21 diligence that had been done and presented to us by  
22 Olivia and her team and TPH and whoever else was  
23 providing diligence information.

24 Q. In addition -- in addition to the presentations  
25 made by Ms. Wassenaar and TPH, do you recall any

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 92

1 board read in full and asked questions about. I can't  
2 tell you to this day what the questions were, but I know  
3 there were a lot of questions asked and those were  
4 extended meetings.

5 Q. Do you recall any of the questions -- strike  
6 that.

7 Did you ask any questions about the draft  
8 proxy statements?

9 A. I did.

10 Q. And do you recall the nature of those  
11 questions?

12 A. I think they were probably the only things I  
13 just mentioned.

14 Q. Do you recall specifically any of the questions  
15 that you asked?

16 A. I don't.

17 Q. Do you recall if you consented to your  
18 signature being used in connection with the proxy  
19 statement?

20 A. I did.

21 Q. Do you know that at the time the Silver Run II  
22 board recommended that Silver Run stockholders vote for  
23 each of the proposals set forth in the January 2018  
24 proxy?

25 MS. WALLER: Objection to form.

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 100

1 Do you see that?

2 A. I do.

3 Q. The proxy for the proposed business combination  
4 was not filed until January of 2018. When you say you  
5 have nothing further on the proxy, was that on a much  
6 earlier draft of the proxy?

7 A. It would have had to have been.

8 Q. Do you recall receiving -- strike that.

9 Do you recall reviewing multiple versions  
10 of the proxy before it was filed in January of 2018?

11 A. Every time they sent a round of proxy for  
12 review, I reviewed it. The answer is undoubtedly yes.

13 MS. FOX: I'm about to start another series  
14 of documents so this might be a descent time to break.  
15 Let's go off the record.

16 MS. WALLER: Okay.

17 VIDEOGRAPHER: We are going off the record  
18 at 1:04 p.m.

19 (Lunch recess.)

20 VIDEOGRAPHER: We are back on the record at  
21 1:46 p.m.

22 Q. (BY MS. FOX) Mr. Gutermuth, you recognize that  
23 you're still under oath, correct?

24 A. Yes, ma'am.

25 Q. This morning we spoke --

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 106

1 are probably not the notes you took during this  
2 presentation, correct?

3 A. Let me take a quick look at those. Well, the  
4 questions that are identified in the margin and those  
5 were -- as I mentioned earlier, I had barely time to  
6 look at these documents because I had set them aside  
7 pending confirmation that it would be okay. It's  
8 possible that this -- these notes are misdated. It  
9 should have been the 17th and not the 18th.

10 But in any event, those are the kinds of  
11 questions that I would have asked, and my guess is, they  
12 had other ones elsewhere. Matter of fact, I had some on  
13 the document itself which is one of the reasons I think  
14 I had it in paper form. But in any event.

15 Q. And we have not received a copy of this  
16 presentation as part of your production materials. So  
17 if you believe that you still have it somewhere, will  
18 you provide it to your counsel to produce to us,  
19 especially if it has handwritten notes?

20 A. Yes, I will.

21 Q. So did you -- apologies for this toggling back  
22 and forth, but if I could direct your attention back to  
23 Exhibit 459. Do you recall receiving information about  
24 the well performance in the different zones, I guess, is  
25 what they're called, including Osage, Meramac, and

CONFIDENTIAL

Page 107

1 Oswego?

2 A. Specific well performance you're referring to?

3 Q. Did you receive this -- do you recall this  
4 portion of the presentation where TPH was going through  
5 well performance of the different areas, Osage, Meramac,  
6 and Oswego?

7 A. Yes. There's an area titled "Reviewing Well  
8 Performance."

9 Q. One of my questions is -- let's go to page 15  
10 of 41. This is reviewing well performance-type curve  
11 development Osage, and on the left top corner, is  
12 something called fit parameters.

13 Do you see that?

14 A. I do.

15 Q. And there is -- there are four columns -- TPH,  
16 TPH 2.0, Amberjack 2, and Amberjack 2.5. Can you  
17 explain for me what those four headings represent?

18 A. I don't recall.

19 Q. Was the presentation made on July 19th of 2017,  
20 a revision of an earlier presentation made to the SRun  
21 II board of directors?

22 A. No. This is the first thing we had seen, as I  
23 recall.

24 Q. And do you recall any discussion of what the  
25 2.5 meant for TPH?



CONFIDENTIAL

Page 108

1           A. I do not. If it was not explained by the TPH,  
2 I'm sure somebody asked about it, though, by TPH.

3           Q. And I have the same question with respect to  
4 Amberjack. There's an Amberjack 2.0, and an  
5 Amberjack 2.5. Do you remember during any course of the  
6 meeting, what the difference between Amberjack 2 and  
7 Amberjack 2.5 was?

8           A. I do not.

9           Q. And still in that same block, in that same fit  
10 parameter section there is an estimated ultimate  
11 recovery and that's represented as total -- total  
12 estimated ultimate recovery and in parenthesis,  
13 thousands of barrels of oil equivalent per day.

14                   Do you see that?

15           A. On 15 of 41?

16           Q. On 15 of 41, the first row, total estimated  
17 ultimate recovery MBOE?

18           A. Mine says -- oh, total UR MBOE, I do see that.

19           Q. Yeah. And was there any discussion during the  
20 presentation by TPH of the differences in the total  
21 estimated ultimate recovery for the different, I'm going  
22 to call them, scenarios for lack of a better term?

23           A. I don't recall any. But if TPH did not  
24 adequately explain it to the satisfaction of everybody,  
25 there would have been questions about it.

CONFIDENTIAL

Page 109

1 Q. And if you could scroll down one more page to  
2 the Meramac well performance. I think that may be 17 of  
3 41.

4 A. I see it.

5 Q. Again, there are columns, this time it's TPH  
6 less than 300 and TPH less than 350. Do you know what  
7 those column headings represent?

8 A. I do not.

9 Q. And if I could direct your attention to page 19  
10 of 41. It's entitled "Comparing Assumptions."

11 A. Okay.

12 Q. Do you know -- when it says comparing  
13 assumptions, do you know what was -- strike that.

14 Was it discussed at the board meeting on  
15 July 19th of 2017 who prepared the assumptions that TPH  
16 was comparing in this slide?

17 A. I don't recall.

18 Q. And do you recall what OIP stands for?

19 A. Where do you see that?

20 Q. In the methodology, first column.

21 A. Sorry, which page are we on now?

22 Q. I'm on the comparing assumptions page, which I  
23 believe is 19 of 41.

24 A. I'm sorry. What was the question again?

25 Q. What OIP stands for? It's used in that first

CONFIDENTIAL

Page 110

1 column, methodology.

2 MS. WALLER: Do you see it?

3 THE WITNESS: No. It's page 19, right?

4 MS. WALLER: 18. You're on page 18,  
5 Christine?

6 MS. FOX: Okay. If I scroll too far down,  
7 even though I'm still on the same page. It changes page  
8 numbers. But that's --

9 THE WITNESS: Osage, OIP.

10 Q. (BY MS. FOX) Is it oil in production or does  
11 its stand for something else?

12 A. I don't know what it stands for, but it  
13 obviously has something to do with barrels.

14 Q. Also in that same column, further down, there's  
15 a reference to PDP horizontal wells. Do you know what  
16 that means?

17 A. Location counts shown at right include PDP  
18 horizontal wells. Is that what you're referring to?

19 Q. Yes. Do you have an understanding of what PDP?

20 A. It means proved development producing.

21 Q. And there's commentary, those locations are  
22 excluded for models as undeveloped locations.

23 Do you see that?

24 A. I do.

25 Q. Is the acronym PDU, proved undeveloped wells,

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 129

1 A. Okay.

2 Q. Let me know when you get there.

3 A. I happen to be there.

4 Q. In the middle of the page, it says, (Reading:)  
5 Reasons For Approval of the Business Combination.

6 Do you see that?

7 A. I do.

8 Q. It reads, (Reading:) After careful  
9 consideration the Silver Run board of directors  
10 recommends that Silver Run shareholders vote for each  
11 proposal being submitted to a vote of the Silver Run  
12 stockholders at the Silver Run special meeting.

13 Did you understand that when you decided  
14 to -- strike that.

15 Did you understand that shareholders would  
16 be relying on the board's recommendation of the proposed  
17 business combination when you signed the proxy  
18 statement?

19 A. I suppose I realized they would be considering  
20 it. Most shareholders would make their own decision.

21 MS. WALLER: Objection to form.

22 Q. (BY MS. FOX) But clearly, the Silver Run board  
23 wanted the Silver Run shareholders to vote in favor of  
24 the transaction, right?

25 A. That was our recommendation.

[PAGES INTENTIONALLY OMITTED]

CONFIDENTIAL

Page 167

1 put in contextually not a big deal and not anything  
2 anybody was concerned about on the BDO side. And I  
3 think we were -- I don't recall exactly what Weaver  
4 said. But I don't know that they came up with any  
5 deficiencies that were --

6 THE REPORTER: Can you speak up, please?

7 THE WITNESS: Sorry.

8 Q. (BY MS. FOX) These minutes you were reviewing,  
9 you were talking about the 10-K for 2017. Did you  
10 personally review drafts of the report on 10-K before it  
11 was filed with the SEC?

12 A. I did.

13 Q. And do you recall if you had any changes to any  
14 of the draft 10-Ks that you reviewed?

15 A. I don't know that I had changes. I undoubtedly  
16 had some questions, maybe a comment or two, possibly a  
17 change. But it was -- as I said, I read these things  
18 and I tend to have questions or comments about them and  
19 raise them with the appropriate person regularly.

20 Q. I would like to show you what's previously been  
21 marked as Exhibit 327. It is an email and attachments  
22 from Jim Hackett to the AMR board, and it is -- the  
23 attachments are budget discussion March 2018 board, and  
24 it appears to be the same presentation in two formats,  
25 PDF and PowerPoint. It bears the Bates stamp

**PX 230**



IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE: ALTA MESA §  
RESOURCES, INC. § CASE NO. 4:19-cv-00957  
SECURITIES LITIGATION §

ORAL AND VIDEOTAPED DEPOSITION OF JIM HACKETT  
APRIL 27, 2023

ORAL AND VIDEOTAPED DEPOSITION OF JIM HACKETT,  
produced as a witness at the instance of the Plaintiffs  
and duly sworn, was taken in the above styled and  
numbered cause on Thursday, April 27, 2023, from 9:29  
a.m. to 8:07 p.m., before Janalyn Elkins, CSR, in and  
for the State of Texas, reported by computerized  
stenotype machine, Latham & Watkins, 301 Colorado,  
Austin, Texas, pursuant to the Federal Rules of Civil  
Procedure and any provisions stated on the record  
herein.

[PAGES INTENTIONALLY OMITTED]

1 identifying targets, right. So there was -- as I  
2 mentioned earlier, when we -- when we were out marketing  
3 SR2, we made it clear to investors that the likelihood  
4 of having to take a management team on board was very  
5 high because you have to buy a company that is close to  
6 going public, that has to roll almost all of their  
7 interest into the new entity to make it work, especially  
8 where we were with the fund at Riverstone being depleted  
9 a bit from its initial start.

10 So we had done this earlier SPAC with Mark  
11 Papa but where we were able to finance it all with cash.  
12 And so these issues only became relevant when we weren't  
13 going to fund the whole transaction with cash from the  
14 fund. In the case that we found, you have to buy  
15 something twice as big as you to make the discount for  
16 the promote to work properly. And the likelihood of  
17 being able to do that is almost zilch if you can't pay  
18 cash for that additional two-thirds.

19 And that means that by definition or at  
20 least by regular reasoning is that the people who are  
21 selling the company to you have to take a bunch of  
22 equity and unless they want to just quit working, they  
23 get to run the company. That didn't bother me. It was  
24 actually consistent with my plan not to be the CEO.

25 So I had a team in place to take that role

1 on at Riverstone, which is the Meridian team, or I was  
2 going to take another team assuming that when we made  
3 the analysis and the estimates of what we could do with  
4 that asset that I was comfortable, at least as going in  
5 proposition that they would be competent in running that  
6 company all to be proved, right, because until you  
7 actually work with someone for an extended period of  
8 time, you can't be sure how good they are, particularly  
9 as they transition from private to public.

10 So there was always the assumption, hey,  
11 this is a testing period for new management team. We  
12 have a backup if we need them and that backup would not  
13 typically include me in the thinking.

14 So when you talk about when did the  
15 opportunity become available, we knew that the  
16 opportunity to be chairman was both there at SR2 and  
17 they're a new entity if we merged. But it was all  
18 dependent on finding an asset that we liked and we found  
19 attractive. As you can imagine, at this point in my  
20 career I didn't need to go buy another company to prove  
21 that I was special or that we're something special. We  
22 were going to do what was right for the investors, both  
23 public and Riverstone LP's. And if we didn't find  
24 something we liked, we just wouldn't do it.

25 So the chairman role was no one going in,

[PAGES INTENTIONALLY OMITTED]

1 looked at all the well results and find out -- you would  
2 be trying to figure out what did it tell us in the past  
3 about the performance of the reservoir.

4 Q. And he adds, you know, he says, (Reading:) The  
5 Osage due to its fractured nature here has a high degree  
6 of well-born interference and they're seeing that the  
7 spacing test even at 1,320 feet for wells per unit have  
8 a hard time hitting the type curve.

9 Setting aside the statement that he made to  
10 you on April 10th, of course, you would want to look at  
11 that as well as you were conducting due diligence in  
12 2017; isn't that right?

13 A. Yes. Yes, sir.

14 Q. Right. And then he says, (Reading:) To me,  
15 these results limit AMR's, quote, STACK up story.

16 Did that give you any plausible concern?

17 A. No. And -- well, let me just say, did it  
18 register, yes. Was it to be proven that if he was right  
19 or wrong, that that still had not been proven by other  
20 teams that were much more experienced.

21 Q. Well, it's interesting that you raise that. I  
22 mean, it sounds like he was pretty close to being right  
23 when you look back at it, right? I mean, in  
24 December 2018 you were part of a project to reduce the  
25 down spacing assumption from 12 to five; is that right?

1 MR. WORD: Objection to form.

2 THE WITNESS: I'm not sure that this  
3 statement was -- that his conclusion was a result of his  
4 instincts on all of this or if there were a number of  
5 other contributing factors.

6 Q. (BY MR. SMITH) Sure.

7 A. I'm just -- there isn't a good way to answer  
8 that.

9 Q. But in hindsight would you agree that that's  
10 kind of an impression statement?

11 A. We had reservoir performance issues for sure at  
12 the end of the day.

13 MR. SMITH: Sean, can you bring up tab 3,  
14 please?

15 (Exhibit No. 239 was previously marked.)

16 MR. SMITH: Do one more document and take a  
17 break?

18 THE WITNESS: Whatever you want. I can  
19 keep going.

20 MR. WORD: Yeah, lunch is set up.

21 THE WITNESS: Okay. Whatever you-all  
22 decide, that's great.

23 MR. SMITH: We'll just plow through this  
24 document and take a break.

25 THE WITNESS: Whatever. That's great.

[PAGES INTENTIONALLY OMITTED]



1 someone that had some urgency behind it as well and that  
2 was what was driving my interest in getting together  
3 with them.

4 Q. Understood. Were all members of the new board  
5 there at that meeting?

6 A. I don't recall when we brought in Sylvia  
7 Kerrigan and Don Sinclair, so I don't know what the  
8 board you saw or depending when you saw the board, it  
9 might have been different by one or two members. But  
10 the majority of the members were in that board meeting.

11 Q. Before we push on, how many of the board  
12 members were Silver Run II moved over to the board  
13 members of Alta Mesa?

14 A. Diana Walters did, who became our audit chair.  
15 Jeff Tepper did. Somebody will have to remind me if  
16 Bill Gutermuth left right away or if he was replaced  
17 later. I don't -- I don't recall.

18 Q. And who is Don Sinclair?

19 A. Don Sinclair is a person I've worked with  
20 before. He's run -- he ran a major midstream business  
21 and we were very interested in getting him on the board  
22 because of his midstream knowledge. And he was -- I  
23 don't think he was on the board yet, but he was kind  
24 enough to offer himself up to go and review the AMR  
25 activities to be a more informed board member as well as

1 to be an advisor of me of what to do with the -- as that  
2 business transitioned over to my team.

3 Q. And you state in the email, (Reading:) This is  
4 very urgent since we will need to give revised guidance  
5 to the investment community in March.

6 Right?

7 A. Yeah. And I don't know what generated that  
8 comment. That might have been the reason why the  
9 urgency was there and that would have been shared by  
10 Zach because he's an investor in the combined entity.  
11 So I may have been using that -- the issue of guidance  
12 in March to make sure that he hurried up to meet with us  
13 on the other issues. I don't know what "revised"  
14 referred to.

15 Q. And do you understand why Mr. Sinclair wanted  
16 to see the latest -- or you know, what you had been  
17 presenting regarding KFM during the road show?

18 A. Only because he wasn't part of SR2 so he didn't  
19 see any of that until he was being considered for the  
20 AMR board.

21 Q. And the guidance that you're referring to, is  
22 that in reference to the guidance that was included in  
23 the road show presentations in the proxy?

24 A. No. This would have been the guidance we would  
25 give after the first quarter -- excuse me, year-end

**PX 231**

1  
2 UNITED STATES DISTRICT COURT  
3 SOUTHERN DISTRICT OF TEXAS  
4 HOUSTON DIVISION

5 -----x  
6 IN RE ALTA MESA RESOURCES, INC. SECURITIES  
7 LITIGATION Case No: 4:19-cv-00957

8 -----x  
9 \*\* ATTORNEY'S EYES ONLY \*\*

10  
11 April 18, 2023

12 8:13 a.m.  
13  
14

15 DEPOSITION of JEFFREY HOSTETTLER, taken  
16 pursuant to Notice, held at the office of Quinn  
17 Emanuel Urquhart & Sullivan, LLP, 51 Madison  
18 Avenue, 22nd Floor, New York, New York, before  
19 Fran Insley, a Notary Public of the States of  
20 New York and New Jersey.  
21  
22  
23  
24  
25

[PAGES INTENTIONALLY OMITTED]

1                   HOSTETTLER - ATTYS' EYES ONLY

2           Q.       Mr. Christopher responds and offers  
3       "One side note/suggestion." Do you see where  
4       I'm reading?

5           A.       Yes.

6           Q.       And he says "But an important one:  
7       We need to achieve EBITDA  
8       guidance/projections... full stop." Did I read  
9       that right?

10          A.       Yes.

11          Q.       Do you agree that it was important  
12       to achieve EBITDA guidance/projections?

13                   MR. WALDMAN: Objection to form.

14          A.       In general, yes.

15          Q.       Was it important for KFM as well?

16                   MR. WALDMAN: Objection to form.

17          A.       Yes.

18          Q.       And it was important to Alta Mesa  
19       Holding, right?

20                   MR. WALDMAN: Same objection.

21          A.       Sure.

22          Q.       If you could, I would like to take a  
23       look at some of the draft slides. So looking  
24       at the page that ends in Bates number 742,  
25       Riverstone\_SD TX223742, the internal pagination

**PX 232**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

In re ALTA MESA RESOURCES, INC. \* Civil Action No.  
\* 4:19-cv-00957  
SECURITIES LITIGATION \*

\*\*\*\*\*

ORAL AND VIDEOTAPED DEPOSITION OF  
PIERRE F. LAPEYRE, JR.  
INDIVIDUALLY AND ON BEHALF OF  
RIVERSTONE HOLDINGS LLC

JUNE 13, 2023

(Reported Remotely)

\*\*\*\*\*

ORAL AND VIDEOTAPED DEPOSITION OF PIERRE  
F. LAPEYRE, JR., INDIVIDUALLY AND ON BEHALF OF  
RIVERSTONE HOLDINGS LLC, produced as a witness at the  
instance of the Plaintiffs and duly sworn, was taken  
via videoconference in the above-styled and numbered  
cause on the 13th day of June, 2023, from 9:06 a.m. to  
5:21 p.m. CDT, before Marsha Yarberry, Certified  
Shorthand Reporter in and for the State of Texas,  
reported by machine shorthand, at the law offices of  
Latham & Watkins LLP, 1271 Avenue of the Americas, New  
York, New York, pursuant to the Federal Rules of Civil  
Procedure and the provisions stated on the record.



[PAGES INTENTIONALLY OMITTED]

1 originally three founders, and then a year into it one  
2 person retired, and myself and David, the other  
3 cofounder, have been the two lead, you know, people  
4 within the firm since its founding in May of 2000.

5 Q. Do you -- and by "David," you're referring  
6 there to Mr. Leuschen, correct?

7 A. Yes. Sorry. David Leuschen.

8 Q. That's okay. And do you and Mr. Leuschen have  
9 any particular manner in which you divide  
10 responsibilities between you, or do both of you do very  
11 similar things?

12 A. I would say the latter. There is no formal  
13 delineation of one does certain functions and one does  
14 another. It's a true partnership and we do  
15 everything -- in effect all decisions are done  
16 together.

17 Q. And has that been true since the time of the  
18 founding? Your day-to-day role hasn't really changed  
19 since you founded the company?

20 A. Yeah. I think that's -- that's accurate to  
21 say. There's no -- the way in which we operate the  
22 firm is the same way -- we operate the same way today  
23 as we did when we started. At any given moment in time  
24 one of us may focus on certain things while the other  
25 is focusing on something else, but there isn't a -- I

1 will call it a bright line or a division that, you  
2 know, one deals with X and one deals with Y.

3 That's -- I don't know how else to really  
4 describe it.

5 Q. Okay. And does -- strike that. Riverstone is  
6 an investment firm, correct?

7 A. Yes.

8 Q. And how does the investment firm work  
9 day-to-day?

10 MS. WALLER: Objection to form.

11 THE WITNESS: Well, I think we work like  
12 I would consider a typical private equity firm to work,  
13 which is that, you know, my day on any given day can --  
14 and David's as well for the reasons I just mentioned,  
15 can vary from managing existing portfolio company  
16 relationships, sourcing new investments, fundraising,  
17 you know, executing on certain, you know, transactions,  
18 whether that's the acquisition of an investment or the  
19 exit of an investment. We both cochair our investment  
20 committee within the firm that makes decisions  
21 ultimately on new investments, as well as when to exit,  
22 and then obviously managing and dealing with whatever  
23 individual or employee-related, hiring, retirement, et  
24 cetera, issues that we may have, promotions, et cetera.  
25 So I would say all things you would expect two owners

[PAGES INTENTIONALLY OMITTED]

1 partner to join in? Is there a certain capital  
2 contribution requirement or any other requirements?

3 A. No.

4 Q. Okay.

5 A. There's no minimum financial requirement if  
6 that's what you're asking when you say "capital  
7 contribution."

8 Q. Okay. And what are the roles of the partners  
9 in the day-to-day operation of the firm as distinct  
10 from the roles of you and Mr. Leuschen? Are they  
11 reporting to you in terms of, "Hey, there's this  
12 investment opportunity I want to discuss," or how does  
13 that relationship work?

14 A. Well, yes. I mean, David and I are the two --  
15 I guess for lack of a better word as founders the two  
16 senior partners of the firm, so technically everyone  
17 that is working for the firm ultimately works, you  
18 know, in the direction that we point the firm and point  
19 those people, but they are doing very similar things I  
20 think as all partners, which is they are managing all  
21 the things that I mentioned before for their -- you  
22 know, everything from looking for new investments,  
23 managing and monitoring the existing investments that  
24 they are the lead individuals on, for lack of a better  
25 term. They are also responsible for monitoring those,